

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 NEA-09 PA-01 PRS-01

USIA-06 /098 W

----- 043291

R 252135Z FEB 75

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 5975

INFO AMEMBASSY CARACAS

AMEMBASSY TEGUCIGALPA

AMEMBASSY SAN SALVADOR

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

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E.O. 11652: N/A

TAGS: EFIN, GT

SUBJECT: VENEZUELAN OIL SCHEMES: GUATEMALA

REF: STATE 31596, STATE 34756, GUATEMALA (ROCAP) 913,
TEGUCIGALPA 0732

1. EMBOFF DISCUSSED VENEZUELAN OIL SCHEME FEB 25 WITH MARIO MEJIA, DIRECTOR OF FINANCIAL DEPARTMENT OF BANK OF GUATEMALA, WHO CLAIMS TO HAVE BEEN PERSONALLY INVOLVED IN THE NEGOTIATIONS. AS WILL BE NOTED, MEJIA'S UNDERSTANDING DOES NOT SQUARE COMPLETELY WITH THAT REPORTED BY ROCAP AND POSSIBLY NOT WITH THAT REPORTED BY EMBASSY TEGUCIGALPA. WHEN EMBOFF DESCRIBED SUCH OTHER UNDERSTANDINGS TO MEJIA, HE WAS ADAMANT IN HIS DESCRIPTION OF THE SCHEME AS IT APPLIES TO GUATEMALA.

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2. ACCORDING TO MEJIA, THE PETROLEUM IMPORTING COMPANIES

TEXACO, CHEVON AND SHELL) WILL PAY, IN FOREIGN EXCHANGE OBTAINED FROM THE BOG, THE FULL PRICE FOR THEIR IMPORTS. NORMAL COMMERCIAL PROCEEDINGS THUS WILL NOT BE ALTERED. SINCE THEIR PAYMENTS WILL BE MADE ACCORDING TO THEIR REGULAR SCHEDULES, THERE INITIALLY WILL BE A TRANSFER OF FUNDS TO VENEZUELA. AT THE END OF EACH QUARTER, A CALCULATION OF THE QUANTITY/VALUE OF PETROLEUM IMPORTS WILL BE MADE BY THE GOV CENTRAL BANK AND IT WILL DEPOSIT, TO THE BOG'S NAME, IN THE VENEZUELAN INVESTMENT FUND, THE INDICATED AMOUNT. AT THAT POINT THE BOG WILL ISSUE ITS CDS AND THE BOG'S ACCOUNTS WILL REFLECT A RETURN FLOW OF FUNDS.

3. WITH REGARD TO THE USE OF THE FUNDS, MEJIA CLAIMED THAT DURING THE SIX YEAR PERIOD THERE ARE ABSOLUTELY NO LIMITATIONS. ASSUMING THAT THE GOG DOES NOT IMMEDIATELY CONVERT THE FUNDS TO 25 YEAR DEVELOPMENT LOANS, THE BOG HAS COMPLETE FREEDOM DURING THE SIX YEAR PERIOD TO USE THE FUNDS FOR BALANCE OF PAYMENTS PURPOSES, I.E., THEY CAN BE USED TO FINANCE GENERAL IMPORTS. IF THE FUNDS ARE NOT CONVERTED TO 25 YEAR LOANS, REPAYMENT WILL BE MADE AT THE END OF THE SIX YEAR PERIOD IN A LUMP SUM AND AT A RATE OF INTEREST "UP TO THE IDB RATE" (MEJIA'S WORDS). IN OTHER WORDS, MEJIA CLAIMED THAT THE GOV COULD AUTHORIZE AN INTEREST RATE BELOW THE IDB RATE. WITH REGARD TO THE CONVERSION OF THE FUNDS TO 25 YEAR LOANS, MEJIA SAID THAT WHILE THE GOG HAS NOT YET MADE ANY FINAL DECISION, THE LOAN FUNDS WOULD PROBABLY BE USED TO MEET THE COUNTERPART REQUIREMENTS OF THE CHIXOY HYDROELECTRIC PROJECT.

4. AS TO THE TOTAL AMOUNT OF FUNDS THAT WILL BE GENERATED BY GUATEMALA UNDER THE SCHEME, MEJIA SAID THAT, USING AN AVERAGE PRICE OF \$12.77 PER BARREL PROVIDED BY THE GOV, THE GOG WAS PROJECTING A MINIMUM OF \$128 MILLION. WHEN THE EMBOFF NOTED THAT \$12.77 WAS CONSIDERABLY ABOVE THE AVERAGE CURRENTLY BEING PAID BY THE IMPORTING COMPANIES, MEJIA COULD NOT EXPLAIN THE DIFFERENCE OR WHETHER AN ARTIFICIAL GOV CALCULATED PRICE WOULD BE USED INSTEAD OF ACTUAL PAYMENTS DATA.

5. FINALLY, MEJIA ASSERTED THAT ALL AGREEMENTS NECESSARY TO THE FUNCTIONING OF THE SCHEME HAVE BEEN MADE AND SIGNED.

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ACCORDINGLY, THERE WILL BE NO FURTHER NEGOTIATIONS WITH THE VENEZUELAN.

6. IN A SEPARATE CONVERSATION FEB 18, MINISTER OF COMMUNICATIONS ARGUEDAS HAD TOLD EMBOFF THAT WHILE GOG HAD TENTATIVELY TAGGED THE FUNDS FOR THE CHIXOY PROJECT, IT HAD NOT YET RESOLVED THE BASIC QUESTION: WHETHER OR NOT TO USE THE FUNDS AT ALL. ARGUEDAS EXPLAINED THAT THE GOG IS VERY CONCERNED ABOUT

THE POSSIBILITY OF A REVALUATION THE BOLIVAR, A DEVELOPMENT
WHICH COULD MAKE THE EFFECTIVE INTEREST RATE ASTRONOMICAL.

7. COMMENT: EVERYONE SEEMS TO HAVE A FIRM, DEFINITIVE UNDER-
STANDING. DIFFERENCES AMONG SUCH UNDERSTANDINGS ARE PROBABLY
NOT SIGNIFICANT, HOWEVER. IT MAY BE THAT THE VENEZUELAN'S JUST
AREN'T VERY ADEPT AT TYING UP LOOSE ENDS.

DECONTROL AFTER 2/25/77

MELOY

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Message Attributes

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